

## **STATE SCHOOL LEVIES CREDIT**

Unlike most property tax relief programs that focus on holding down levies, the state school levies credit provides direct relief to taxpayers by reducing the amount owed on their property tax bills.

### **Background**

Property tax credits were first paid in the 1962/63 property tax year, the same year in which the state sales tax was enacted. Initially, separate credits were created for general property taxes and personal property taxes. With time, the personal property tax credit was used as a means of phasing-in a tax exemption for merchants' and manufacturers' inventory and farmers' livestock.

Once inventories and livestock were fully exempt in 1982/83, a new credit called the Wisconsin state property tax relief (WSPTR) credit was created. This credit essentially continued the practice of calculating credits separately for real property and personal property. However, credit calculations were gradually shifted to a basis of total property taxes, without regard to the type of property. The last WSPTR credit was paid in 1985/86.

From 1986/87 to 1991/92, two credits were paid. One was distributed based on school levies, the other was distributed based on all other levies. Since 1992/93, the credit has been based solely on school levies, which is why it is referred to as the state school levies credit.

Property tax credits were traditionally shown on tax bills as a subtraction from total taxes due. However, beginning in 1996/97, the credit has been subtracted from the school levy and shown separately on the tax bill.

### **Payment**

The school levies credit is allocated to municipalities based on their share of statewide school levies during the previous three years. The credit on 2006/07 tax bills was based on school levies for 2003/04, 2004/05, and 2005/06. School levies include taxes for K-8, union high, and K-12 school districts plus levies for county-operated schools for children with disabilities. If a municipality uses surplus funds to reduce the levies of other jurisdictions, school levies for credit purposes in that municipality are reduced by a pro-rata share of such surplus funds.

Municipalities are notified by December 1 of the credit payment they will receive in the following year. Municipalities allocate the credit to individual taxpayers in proportion to the taxpayer's share of the municipality's total assessed value. If a taxpayer chooses to pay his or her tax bill in installments, the credit is applied equally to each installment. The state pays the credit on the fourth Monday in July. The municipality treats the credit as general property tax collections paid by taxpayers.

Funding for the credit was \$469,305,000 from the 1996/97 to 2005/06 tax years. A provision of 2005 Wisconsin Act 25 increased the credit to \$593,050,000 for the 2006/07 tax year. The

credit will remain at this level until changed by the Legislature. The 2006/07 credit represents about 16.77% of average school levies for the past three years.

Credit payments since 1992/93 are summarized below:

Property Tax Year	Credit Payment (\$)	Average School Levies (\$)	Percent of Average School Levies Paid as Credit (%)
1992/93	\$ 319,305,000	\$ 2,367,761,098	13.49%
1993/94	319,305,000	2,596,608,996	12.30
1994/95	319,305,000	2,808,202,871	11.37
1995/96	319,305,000	2,950,851,610	10.82
1996/97	469,305,000	3,010,602,873	15.59
1997/98	469,305,000	2,857,018,970	16.43
1998/99	469,305,000	2,722,505,592	17.24
1999/00	469,305,000	2,627,505,592	17.86
2000/01	469,305,000	2,716,980,665	17.27
2001/02	469,305,000	2,829,731,149	16.58
2002/03	469,305,000	2,941,843,500	15.95
2003/04	469,305,000	3,074,722,651	15.26
2004/05	469,305,000	3,222,198,160	14.56
2005/06	469,305,000	3,403,006,183	13.79
2006/07	593,050,000	3,537,405,254	16.77%